

Message Text

PAGE 01 STATE 302527
ORIGIN SS-25

INFO OCT-01 ISO-00 SSO-00 CCO-00 /026 R

DRAFTED BY EA:EHEGINBOTHAM
APPROVED BY E:RCOOPER
EB:WBARRACLOUGH (SUBS)
STR:AMB. WOLFF (SUBS)
TREAS:CFBERGSTEN (SUBS)
COMMERCE:FWEIL (SUBS)
CEA:JSHAFFER (SUBS)
NSC:JRENNER (SUBS/S:LRFLEISCHER
LABOR:HBLACKMAN (SUBS)
AGRICULTURE:RSCHROETER (SUBS)
DESIRED DISTRIBUTION
E, EA, EB, STR, TREASURY, COMMERCE, NSC, CEA, AGRICULTURE, LABOR, CIA
-----102140 200356Z /61
Z 200328Z DEC 77 ZFF4
FM SECSTATE WASHDC
TO AMEMBASSY TOKYO FLASH

C O N F I D E N T I A L STATE 302527

EXDIS

E.O. 11652: N/A

TAGS: EFIN, ETRD, JA, US

SUBJECT: USG VIEWS ON USHIBA PROPOSALS

1. FOLLOWING ARE DETAILED USG VIEWS ON USHIBA PROPOSALS.
EMBASSY SHOULD PASS THESE TO APPROPRIATE LEVELS OF FONOFF
AT EARLIEST OPPORTUNITY.
2. BEGIN TEXT. THE US GOVERNMENT RECOGNIZES THE INTENSE
EFFORTS OF THE JAPANESE GOVERNMENT TO DEVELOP THE MEASURES
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PRESENTED BY MINISTER USHIBA, AND APPRECIATES THE POSITIVE
CONTRIBUTION WHICH HIS VISIT MADE IN ADVANCING THE
CONSULTATIONS. THE PERSONAL LINKS AND COMMUNICATIONS WHICH
HE OPENED WITH AMBASSADOR STRAUSS AND OTHER SENIOR US
OFFICIALS AND MEMBERS OF CONGRESS WILL MAKE POSSIBLE AN
EASIER AND EARLIER RESOLUTION OF THE CURRENT DIFFICULTIES.

3. BOTH SIDES NOW HAVE A BETTER UNDERSTANDING OF EACH
OTHER'S POLITICAL AND ECONOMIC CIRCUMSTANCES. THE NEED TO
PRESERVE THE VIABILITY OF THE WORLD ECONOMIC SYSTEM FORCES

DIFFICULT CHOICES WHICH WILL HAVE PROFOUND EFFECTS IN DETERMINING THE FUTURE HEALTH OF THE INTERNATIONAL ECONOMIC SYSTEM.

4. JAPAN'S DECISION TO SEEK A SEVEN PERCENT GROWTH RATE FOR JFY 1978 IS A WELCOME STEP OF MAJOR IMPORTANCE.

GROWTH OF THIS MAGNITUDE, IF ACHIEVED, WILL REPRESENT A MAJOR CONTRIBUTION TOWARD A CURRENT ACCOUNT DEFICIT AND TO STABILITY IN THE WORLD ECONOMY. SUBSTANTIAL STIMULUS TO DOMESTIC DEMAND WILL BE NECESSARY TO ACHIEVE THIS GROWTH RATE. WE LOOK FORWARD TO LEARNING WHAT SPECIFIC MEASURES YOU ARE PLANNING TO TAKE IN THE JFY 1978 BUDGET.

5. WE BELIEVE THAT IT IS IMPORTANT FOR THE GOVERNMENT OF JAPAN TO MAKE A POLICY STATEMENT THAT A REDUCTION OF JAPAN'S CURRENT ACCOUNT SURPLUS AS QUICKLY AS POSSIBLE AND A SUBSEQUENT MOVE INTO DEFICIT ARE APPROPRIATE UNDER CURRENT WORLD ECONOMIC CIRCUMSTANCES; THAT THE JAPANESE GOVERNMENT WILL TAKE ALL FEASIBLE MEASURES TO ACHIEVE THIS POLICY OBJECTIVE; AND THAT IT WILL CONSIDER THE NEED FOR CONFIDENTIAL

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ADDITIONAL MEASURES ON A REGULAR BASIS.

6. WITH REGARD TO TARIFFS, WE HOPE THAT THE GOVERNMENT OF JAPAN WILL INCLUDE IN ITS MTN OFFERS IN JANUARY DEEPER THAN FORMULA CUTS ON PRODUCTS OF SPECIFIC INTEREST TO THE US AND OTHER COUNTRIES. AT LEAST SOME OF THESE CUTS SHOULD BE GREATER THAN THOSE REQUIRED TO OFFSET EXCEPTIONS. (INDICATIONS OF SPECIFIC US INTERESTS WILL BE COMMUNICATED TO THE JAPANESE GOVERNMENT.)

7. REGARDING JAPAN'S EIGHT-POINT PROGRAM DISCUSSED DURING MINISTER USHIBA'S VISIT, WE APPRECIATE THE POSITIVE ELEMENTS IT CONTAINS. IT WOULD BE USEFUL, HOWEVER, IF THESE WERE FURTHER REVIEWED BY THE JAPANESE GOVERNMENT, TAKING INTO ACCOUNT THE POINTS RAISED WITH MINISTER USHIBA'S PARTY. WE WELCOME THE STRONG COMMITMENT BY JAPAN TO A SUCCESSFUL AND PROMPT CONCLUSION TO THE MULTILATERAL TRADE NEGOTIATIONS AND URGE JAPAN TO EXERCISE ITS LEADERSHIP TOWARD THAT END.

8. WE RECOGNIZE THAT A SET OF STRUCTURAL TRADE MEASURES WITH IMMEDIATE EFFECT MAY HAVE A RELATIVELY LIMITED IMPACT IN REDUCING JAPAN'S CURRENT ACCOUNT SURPLUSES. HOWEVER, SUCH MEASURES WILL GREATLY STRENGTHEN JAPAN'S IMAGE AS A TRADING PARTNER WHICH ALLOWS FAIR AND RECIPROCAL ACCESS TO ITS DOMESTIC MARKETS AND RESTRAINS ITS OFFICIAL EXPORT PROMOTION DURING THIS PERIOD, AND WILL PROVIDE SIGNIFICANT POLITICAL SUPPORT FOR RESISTANCE TO PROTECTIONIST PRESSURES.

9. FOR THIS REASON, WE BELIEVE IT IS IMPORTANT, IN THE SAME TIME, JAPANESE EFFORTS TO ENCOURAGE IMPORTS BY PUBLICIZING INCREASED OPPORTUNITIES FOR IMPORTS WOULD BE HELPFUL. WE THEREFORE URGE JAPAN TO PROGRESS FURTHER WITH THE MEASURES FOR IMMEDIATE IMPLEMENTATION AND TO CLARIFY AND PUBLICIZE THE DETAILS AND IMPLICATIONS OF THESE MEASURES FOR ITS TRADING PARTNERS.
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10. THERE ARE SOME SPECIFIC AREAS IN WHICH WE BELIEVE THAT FURTHER SIGNIFICANT IMPROVEMENT SHOULD BE MADE OR THAT CLARIFICATION AND DETAIL ARE REQUIRED. FOR EXAMPLE, QUOTA EXPANSIONS ON HOTEL BEEF, ORANGES, AND ORANGE-JUICE WOULD BE OF PARTICULAR INTEREST TO THE US, AND FURTHER LIBERALIZATION OF THESE QUOTAS WOULD BE A KEY TO SUCCESSFUL CONCLUSION OF OUR CONSULTATIONS. SPECIFIC US GOVERNMENT VIEWS ON MINISTER USHIBA'S PROPOSALS ARE ATTACHED AS AN ANNEX. IN ADDITION, THE JAPANESE GOVERNMENT SHOULD SIGNIFICANTLY EXPAND AND LIBERALIZE QUOTAS ON PRODUCTS OF INTEREST TO OTHER COUNTRIES. ALTHOUGH REDUCING QUOTA RESTRICTIONS MAY NOT HAVE GREAT EFFECT IN REDUCING JAPAN'S OVERALL SURPLUS, IT WOULD BE OF GREAT SYMBOLIC VALUE IN CHANGING PERCEPTIONS OF THE ACCESSIBILITY OF THE JAPANESE MARKET AND CAN ASSIST OTHER GOVERNMENTS IN WARDING OFF PROTECTIONIST PRESSURES.

11. THE TOTAL EFFECT OF A SERIES OF JAPANESE DECISIONS ON EFFORTS TO EXPAND IMPORTS AND TO RESTRAIN OFFICIAL EXPORT PROMOTION MAY BE REDUCED IF THESE ARE ANNOUNCED INDIVIDUALLY, WE BELIEVE THE BENEFIT OF JAPAN'S IMAGE AS A LIBERAL TRADING NATION WILL BE GREATER IF THESE CAN ALL BE ANNOUNCED, PERHAPS IN CONNECTION WITH AMBASSADOR STRAUSS'S VISIT, AS PART OF A SET OF MEASURES AIMED AT IMPLEMENTING JAPAN'S INTENT TO MOVE INTO A CURRENT ACCOUNT DEFICIT POSITION AND TO INCREASE ACCESS TO JAPAN'S DOMESTIC MARKETS.

12. IN ADDITION, WE BELIEVE IT IS VITAL THAT JAPAN AND THE US CONTINUE THE DIALOGUE BEGUN AT THE SUBCABINET TALKS LAST SEPTEMBER BOTH TO ENSURE THAT OUR MUTUAL UNDERSTANDING IS MAINTAINED AND DEEPENED AS EVENTS UNFOLD
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AND TO ADVANCE OUR COMMON OBJECTIVES. THIS SHOULD BE AN ONGOING PROCESS WHICH INCLUDES BOTH BILATERAL AND MULTILATERAL CONSULTATIONS. WE PLACE PARTICULAR EMPHASIS ON ACTIVE AND EFFECTIVE USE OF THE TRADE FACILITATION COMMITTEE FOR ADDRESSING PARTICULAR BILATERAL TRADE PROBLEMS AS THEY ARISE. ONGOING DISCUSSIONS IN THE JOINT ECONOMIC PROJECTION GROUP WILL PERMIT A REGULAR EXCHANGE OF VIEWS

BOTH ON DEVELOPMENTS IN THE WORLD ECONOMY AND ON DEVELOPMENTS IN OUR

TWO ECONOMIES. IT IS ALSO IMPORTANT THAT WE MAINTAIN CLOSE COORDINATION BETWEEN OURSELVES AND AMONG OTHER KEY PARTNERS IN THE MTN AND THE OECD.

13. WE LOOK FORWARD TO RECEIVING YOUR FURTHER VIEWS ON THESE MATTERS AS SOON AS POSSIBLE SO THAT WE CAN DETERMINE THE TIMING OF THE NEXT STEP IN OUR CONSULTATIONS.

ANNEX

14. THE FOLLOWING ARE SPECIFIC AREAS IN WHICH WE BELIEVE THAT FURTHER SIGNIFICANT IMPROVEMENT SHOULD BE MADE, OR THAT CLARIFICATION AND DETAIL ARE REQUIRED.

15. QUOTA LIBERALIZATION. MEANINGFUL QUOTA LIBERALIZATION IS OF GREAT IMPORTANCE IF JAPAN IS TO PERSUADE THE INTERNATIONAL COMMUNITY THAT IT IS PREPARED TO EXPAND IMPORT OPPORTUNITIES AND TO REDUCE ITS CURRENT ACCOUNT SURPLUS THROUGH INCREASED IMPORTS. WE BELIEVE THAT JAPAN SHOULD INCREASE ITS HOTEL BEEF QUOTA TO AT LEAST 10,000 TONS THIS COMING YEAR AND SHOULD PROVIDE IN ITS DECISION FOR STEADY EXPANSION OF THIS QUOTA. THE QUOTA INCREASE SHOULD ALSO BE ACCOMPANIED BY THE ELIMINATION OF THE NOVEMBER INCREASE IN THE SURCHARGE.

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16. FOR ORANGES, WE BELIEVE THE JAPANESE GOVERNMENT SHOULD PROVIDE FOR UNLIMITED IMPORTATION DURING A SPECIFIED PERIOD (APRIL 1 - AUGUST 31), WHICH DOES NOT CONFLICT WITH THE MIKAN SEASON. PRESERVATION OF ORANGES IN STORAGE IS POSSIBLE ONLY FOR SHORT PERIODS OF TIME, SO THAT POST-SEASON CARRYOVER OF ORANGES WOULD NOT CONFLICT WITH THE MIKAN MARKET. STAGING OF THE LIBERALIZATION OVER A FIVE-YEAR PERIOD MIGHT BE CONSIDERED.

17. FOR ORANGE JUICE, WE BELIEVE THAT THE JAPANESE GOVERNMENT SHOULD PROVIDE FOR IMPORTS OF 50,000 METRIC TONS OF ORANGE JUICE FOR BLENDING PURPOSES.

18. INCREASED IMPORT CREDITS. TO ILLUSTRATE THE SIGNIFICANCE OF JAPAN'S INTENTIONS IN THIS AREA, WE BELIEVE IT IS IMPORTANT FOR JAPAN TO PUBLISH INFORMATION SHOWING THE EXTENT TO WHICH ITS NEW MEASURES WILL INCREASE THE VOLUME OF CREDIT AVAILABLE FOR IMPORT FINANCING, AS WELL AS THE MATURITY AND TERMS OF SUCH FINANCING. WE DO NOT BELIEVE THAT SUCH FINANCING SHOULD BE RESTRICTED TO A LIST OF SPECIFIED PRODUCTS.

19. GOVERNMENT PROCUREMENT. FOR MAXIMUM EFFECT, WE AND

OTHER TRADING PARTNERS OF JAPAN WILL WANT TO BE INFORMED OF THE PROCEDURES WHICH WILL ASSURE FOREIGN SUPPLIERS OF ADEQUATE TIME AND OPPORTUNITY TO SUBMIT BIDS, WITH SPECIFICATIONS WHICH WILL ASSURE OPEN BIDDING OPPORTUNITIES.

20. RESTRAINT OF OFFICIAL EXPORT PROMOTION AND OF OFFICIAL EXPORT CREDITS. TO BE POLITICALLY MEANINGFUL, JAPAN SHOULD DEMONSTRATE THAT IT IS MODERATING ITS CONFIDENTIAL

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OFFICIAL EXPORT PROMOTION PRACTICES, INCLUDING GOVERNMENT LOANS AND OTHER FINANCIAL INCENTIVES TO EXPORTERS, AND THAT IT IS TIGHTENING ITS OFFICIAL EXPORT CREDIT STANDARDS, AS WELL AS MODERATING SHARPLY THE GROWTH IN VOLUME OF OFFICIAL EXPORT CREDITS.

21. NON-TARIFF MEASURES. WE AND OTHERS CAN ONLY ASSESS THE SIGNIFICANCE OF JAPAN'S INTENTIONS IN STANDARDS WHEN IT IS KNOWN WHAT PROCEDURAL CHANGES ARE BEING INSTITUTED, WHICH PRODUCTS WILL BE PERMITTED INSPECTION AT POINT OF ORIGIN, AND WHAT STEPS WILL BE TAKEN TO ACCELERATE DECISION-MAKING ON CERTIFICATION FOR IMPORTS.

22. FOR LOGS AND LUMBER, WE SUGGEST THAT THE PROBLEMS CITED TOWARD THE END OF MINISTER USHIBA'S VISIT IN THE WOOD AND WOOD PRODUCTS AREA BE TAKEN UP AS A PRIORITY ITEM BY THE TRADE FACILITATION COMMITTEE; OR IN A SPECIAL STUDY GROUP.

23. AID UNTYING. WHILE WE APPRECIATE JAPAN'S STATEMENT OF INTENT TO UNTIE AID, SUCH INTENT CAN ONLY PRODUCE POLITICAL BENEFITS WHEN SOME INDICATIONS ARE GIVEN OF THE RELATIVE MAGNITUDE OF AID TO BE GRANTED ON AN UNTIED BASIS. INFORMATION ON BUDGETED INCREASES IN AID FOR JFY 1978 WOULD ALSO BE HELPFUL.
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ORIGIN SS-15

INFO OCT-01 ISO-00 SSO-00 /016 R

DRAFTED BY:IO/UNA:BJSHARP
APPROVED BY:IO/UNA:FHOLLOWAY
S/S-O:RLHART

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FM SECSTATE WASHDC
TO USMISSION USUN NEW YORK IMMEDIATE

C O N F I D E N T I A L STATE 302527

EXDIS FOR AMBASSADOR YOUNG FROM UNA

FOLLOWING REPEAT STATE 302527 ACTION TOKYO DEC 20

QUOTE C O N F I D E N T I A L STATE 302527

EXDIS

E.O. 11652: N/A

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Message Attributes

Automatic Decaptioning: Z
Capture Date: 22-Sep-1999 12:00:00 am
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: ECONOMIC COOPERATION, ECONOMIC PROGRAMS
Control Number: n/a
Copy: SINGLE
Sent Date: 20-Dec-1977 12:00:00 am
Decaption Date: 22 May 2009
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 22 May 2009
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
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Document Source: ADS
Document Unique ID: 00
Drafter: EA:EHEGINBOTHAM
Enclosure: DG ALTERED
Executive Order: N/A
Errors: n/a
Expiration:
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From: STATE
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Legacy Key: link1977/newtext/t197712111/baaaeusr.tel
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Litigation History:
Locator: TEXT ON-LINE, TEXT ON MICROFILM
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Office: ORIGIN SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 10
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
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Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 119718
Secure: OPEN
Status: NATIVE
Subject: USG VIEWS ON USHIBA PROPOSALS
TAGS: EFIN, ETRD, JA, US
To: TOKYO FLASH
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/13f65dfc-c188-dd11-92da-001cc4696bcc
Review Markings:
Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
22 May 2009
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 22 May 2009